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The Regional Variation of Ontario Works: From the Perspective of Provincial-Municipal Relationship

Ju Xue
Western University

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**The Regional Variation of Ontario Works: From The Perspective Of
Provincial-Municipal Relationship**

MPA Main Research Report

Submitted to

The Local Government Program
Department of Political Science
The University of Western Ontario

Ju Xue
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Abstract

In 1990th, the provincial government introduced Ontario Works as a means to help social assistance system transfer from a negative financial support program to a positive, employment-oriented one. And this is a new stage of Ontario social assistance system and it initiated an era that provincial government and municipalities work together to provide social assistance services.

Under this background, the paper conducted empirical studies about the regional variation of Ontario Works based on OMBI data and found out that the variation of Ontario Works in different municipalities is small. No matter from the perspective of program cost, administrative practices or program benefits, Ontario Works is a universal system across the whole province. So the further question here is since this program is similar with each other in different places, why provincial government still requires the involvement of municipalities in this field? Why they do not provide a provincial wide social assistance system by itself? And there are two main reasons. The first is the introduction of Ontario Works is accompanied with the decentralization process of provincial government. The engagement of local government was considered a significant part of decentralization. And the second reason is the fiscal retrenchment of provincial government in Ontario Works. Since senior government hopes municipalities could cover part of social assistance costs, it should give municipalities some autonomy.

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List of Abbreviations

BMA	Basic Measurement of Adequacy
CAP	Canada Assistance Plan
CP	Community Placement
CHST	Canada Health and Social Transfer
FTEB	Full Time Employment Benefit
HCD	Human Capital Development Model
ISU	Intake Screening Unit
LFA	Labor Force Attachment Model
MBM	Market Basket Measurement
OW	Ontario Works
OMBI	Ontario Municipal CAO's Benchmarking Initiative
WDW	Who Does What Model

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1. Introduction

Since Mike Harris came into power in 1995, social assistance in Ontario has been in a state of almost constant flux. And after this reform, social assistance system in Ontario became an increasingly employment-focused program. Social assistance is no longer a “negative” system that just provides benefits to those people who are in need. It began to become an “active” policy that helped to improve the attitude, motivation, and general “employability” of the unemployed and rapidly attach them to available jobs¹.

In history, the social assistance system has experienced several changes. From 1967 to 1995, social assistance was considered as a provincial responsibility and cost-shared by the provincial and federal government under the Canada Assistance Plan (CAP)². Ottawa offered 50/50 cost-sharing for welfare to the provinces and territories on the condition that they should provide social assistance to all people who are “in need” without any attached strings. But in 1990, the federal government introduced the “cap on CAP”, which limited the size of CAP transfers to three richest provinces: Ontario, Alberta and British Columbia. The federal government’s contributions to the cost of social assistance system in those provinces would increase 5 percent per year rather than covering 50 percent of all costs. In 1995, federal government eventually ended its cost commitment to social assistance in Canada. CAP was replaced by the Canada Health and Social Transfer (CHST), which was a block funding agreement

¹ Herd, D., Mitchell, A., & Lightman, E. (2005). Rituals of degradation: Administration as policy in the ontario works programme. *Social Policy & Administration*, 39(1), 65-79. doi:10.1111/j.1467-9515.2005.00425.x

² Kneebone, R. D., White, K. G., & University of Calgary. Institute for Advanced Policy Research. (2007). *Fiscal retrenchment and social assistance in canada*. Calgary, Alta: Institute for Advanced Policy Research, University of Calgary.

that included transfers for health, as well as social assistance and social expenditures. At the same time, federal government removed all the standards associated with the provincial social assistance system and the only requirement for this transfer was a prohibition on provincial residency requirements³. This funding reform lightened the financial burden of the federal government in social assistance and gave provincial governments more flexibility to design their own social assistance system. And Ontario enacted the most extensive reforms of all Canadian provinces in the 1990s.

Generally speaking, Ontario Works is a province-municipal joint program. The provincial government is responsible for designing the system and providing funding support, while municipalities are delivering services through 37 Consolidated Municipal Service Managers and ten District Social Services Administration Boards (in Northern Ontario). Therefore, the relationship of the provincial government with municipalities is an important aspect of Ontario Works. This paper will explore the variation of social assistance benefits in different municipalities at first, and then analyze the flexibility of local government in delivering social assistance services. This study aims to research Ontario Works from the perspective of provincial-municipal disentanglement, and try to answer the question “who does what” and “why different levels of government have different responsibilities in Ontario Works”.

2. Literature Review

The literature review of this paper has two components. The first is about literature on the regional disparities of social welfare services, and the second component is

³ Kneebone, R. D., White, K. G., & University of Calgary. Institute for Advanced Policy Research. (2007). *Fiscal retrenchment and social assistance in Canada*. Calgary, Alta: Institute for Advanced Policy Research, University of Calgary.

research about Ontario Works. European countries have conducted a lot of research about the regional variation of social services. Powell and Boyne hold the opinion that the decentralized model of social welfare is likely to give rise to increasing local disparities while the centralization would lead to more uniformity. So decentralization is the main reason to cause the regional disparities of social welfare services (Powell & Boyne, 2000). And some other scholars emphasize the government's balancing act between the principles of local autonomy and the uniformity of welfare services. They believed that, from the perspective of regional variation, the post-war social welfare system is more likely taking the model called "decentralized universalism". They underline that there is a continuing process and find periods of both centralization and decentralization (Burau & Kröger, 2004). In Nordic countries, the decentralization trend prospered in the 1990s, but a growing concern about the regional inequity became popular in the early of 2000s, which leads to more government control in this field (Bergmark & Minas, 2007). Therefore, the regional disparity of social welfare services is not a stereotypical issue, but a back-and-forth process. Historically, the social welfare service in Europe was a system providing generous and equal benefits to all the citizens, so it was based on a high degree of universalism (Kautto & Anttonen, 2002). But with the welfare reform, the similarities of social welfare services in different regions are not so pronounced. And some Nordic countries, such as Sweden, have made some changes to some social welfare services. It gave the local government some flexibility in providing social services. And there are many empirical studies about the regional variation of Sweden's social welfare benefit. The study of Gun-Britt and Mats showed that in Sweden, the variation of social services in different municipalities is not a political issue, but an institutional issue, which means that this difference is not because people in different regions have unequal social

welfare benefits, but because people in different regions need different public services (Gun-Britt & Mats, 2000). But Jensen and Lolle argued that over-decentralization of social welfare would inevitably cause inequality. People in some places would enjoy higher-level social welfare benefits while others are in a lower level, which is an unfair situation (Jensen & Lolle, 2011).

For the research specifically focusing on Ontario Works, although there are a lot of studies about the social assistance reform in traditional welfare state, the studies about Ontario Works are relatively few. Such research involves three main aspects: the first is the local implementation of Ontario Works, which is about how the policy was implemented in local government; and the second is studying the Ontario Works clients to evaluate whether this system really helps them find jobs and get rid of welfare dependency; and the third is studying Ontario Works from the perspective of federalism and analyzing the relationship of senior governments and municipalities in Ontario Works.

To begin with, some scholars and organizations conducted research about local implementation of Ontario Works. After the election of a neo-liberal provincial government in 1995, Ontario was in the forefront of social-assistance change. Many sweeping reforms were carried out, and a variety of new rules and regulations were adopted. Central among these changes was the introduction of “work-based welfare reform” (Dean, Andrew & Ernie, 2005). The provincial government hoped that the social assistance system in Ontario could transfer from a “negative” income support program to a “positive” employment-based system (Peter Graefe, 2006). In order to achieve this goal, Ontario Works was introduced in 1997. But after the

implementation of this new system, there were some voices of disapproval. As Dean Herd said, although the provincial government declared that the new Service Delivery System of Ontario Works could reduce the cost through efficiencies, in the real world, the cost per case under this new policy increases rather than decreases because of the complex administration procedure. Actually, the real purpose of the provincial government in introducing this model was cutting caseloads by design (Dean Herd, 2003). Many applicants were “scared” away by the more complex eligibility requirements. And the second challenge of Ontario Works is that in many ways its guidelines ran counter to the local vision of welfare (Dean, Andrew & Ernie, 2006). A major point of contention was the mandatory nature of Ontario Works, which raised problems for many delivery agents who were strongly opposed to compulsion.

Secondly, another trend of research is analyzing Ontario Works from the perspective of recipients. For some social assistance recipients, they are unable to make stable transitions to labor markets, so they would come into social assistance system again and again (Bergmark & Beckman, 2003). Because Ontario Works is an employment-focused program, an important goal of it is to solve this “recidivism” problem through providing employment services (Martin, 2009). So the question here is whether current social assistance system effectively helps people find a sustainable job and permanently gets rid of government assistance. There are some researchers trying to answer this question. The empirical research of Ernie et al showed that most people who consistently return to Ontario Works have multiple employment barriers, and Ontario Works fails to solve this problem because of its narrow emphasis on job replacement and ignore the long-term human resource investments (Ernie, Andrew & Dean, 2007). Currently, Ontario Works took the Labor Force Attachment or Work-

First model, and it is believed “the shortest route to employment”. The social assistance recipients should accept any job that is available (Lodemel & Trickey, 2002). So many Ontario Works recipients have to accept some low-salary or unstable job under the pressure of government. So the Work-First model is a reason why Ontario Works cannot solve the “recidivism” problem effectively (Jennifer & Martin, 2000).

Finally, some researchers of Ontario Works use the framework of multi-level governance theory. And most literature in this field focuses on the provincial government’s “micro-management” of the local implementation of Ontario Works. The intervention of the provincial government includes two parts: the first is the funding model of Ontario Works and the second is the new Service Delivery Model of Ontario Works (Dean, Andrew & Ernie, 2006). According to the current funding model, local government also needs to cover parts of both administration costs and benefit costs of Ontario Works. (Commission for the Review of Social Assistance Ontario, 2012). And the provincial government provides different grants to municipalities based on the services they provide. It also has some incentive funds and financial punishment rules for different behaviors of municipalities in managing Ontario Works (Dean, Andrew & Ernie, 2006). Secondly, provincial government designed a new service delivery model to provide services. Each applicant should apply by telephone through one of seven “Intake Screening Units”, and then get a face-to-face interview in a local office. This two-step intake is the requirement of provincial government and all municipalities need to obey to this process (Dean Herd, 2003). Besides, the cost paid to social assistance recipients are also calculated by the province-wide Service Delivery Management Technology automatically. And

municipalities do not have any flexibility to set the income support level in their jurisdictions. Therefore, the Service Delivery Model also showed the “micro-management” of provincial government to Ontario Works (City of Toronto, 2003).

3. The Variation of Ontario Works in Different Municipalities

As discussed above, regional variation is accompanied with the decentralization process of social welfare services. With the financial retrenchment of federal government, it gives provinces more flexibility and spaces for the social assistance system. And from the perspective of provinces, they could choose to further decentralize this kind of services and empower municipalities to implement this policy. In 1990th, Ontario adopted the most aggressive social assistance reform. Although there are some arguments about to what extent provincial government gives flexibility to local government, it cannot be denied that compared with other provinces, the decentralization of social assistance in Ontario is more intensive. So the question here is under this system, how much power the provincial government gave to the municipalities, which could be reflected through the regional variation of Ontario Works. And this is the first research question of the paper. In order to find the answer, the paper compares the local implementation of Ontario Works in different municipalities. In Ontario, there are 444 municipalities in total, this research would choose 12 of them, which covers more than 70% of all Ontario citizens, to compare their variation in Ontario Works, and they are: Durham, Halton, Hamilton, London, Muskoka, Niagara, Ottawa, Sudbury (Greater), Toronto, Waterloo, Windsor and York. All public services could be analyzed from two perspectives: the administration and the services. From the administration perspective, it focuses on the management of

the service delivery process, which is about through what mechanism the government provided these services. And for the services themselves, they are about what services are provided to the clients, what benefits they get from the policy. So when analyzing the regional variation of social assistance in Ontario, it could also be investigated from these two perspectives. The application process of Ontario Works could reflect the administrative variation of this policy in different municipalities. And the benefit level of clients could show the regional disparities of social assistance services. So in this paper, Ontario Works in the selected cities are compared in the fields of the cost of government, the application process, the benefit level of recipients and local variation over time.

3.1 The Regional Variation of Government Cost in Ontario Works

According to the study of Trydegard and Thorslund, government cost is an important indicator of the regional variation of social services in different municipalities⁴. It is logical to assume that if the regional disparities of social assistance were huge, the cost to provide this service in each region might be quite different. On the contrary, little regional variation of government cost is a sign of a strict resource allocation and more universal social assistance systems. It means in different places, government contributes similar amounts of resources to provide this service, which is an indicator of regional universalism.

In the current funding model of Ontario Works, the provincial government and municipalities work together to cover the cost of Ontario Works. And municipalities

⁴ Trydegard, G., Thorslund, M., Stockholms universitet, Samhällsvetenskapliga fakulteten, & Institutionen för socialt arbete - Socialhögskolan. (2010). One uniform welfare state or a multitude of welfare municipalities? the evolution of local variation in swedish elder care. *Social Policy and Administration*, 44(4), 495-511. doi:10.1111/j.1467-9515.2010.00725.x

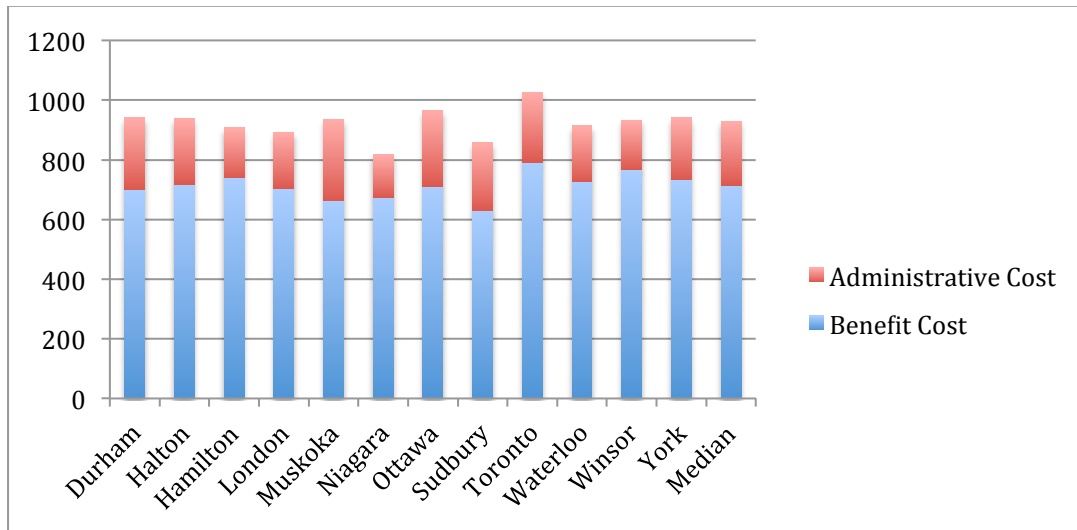
have financial responsibility for both administrative costs and benefit cost of social assistance. For the administration cost of social assistance, generally speaking, it was eligible for a 50/50 cost sharing between provincial government and municipalities. But the financial supports from provincial government are not unlimited. The cost sharing was subject to unilateral caps imposed by the province. Any expenditure beyond the 50/50 cost sharing is 100% municipal. Those funding caps (in the range of \$700 per case, with some flexibility depending on the client group⁵) were historical and not based on current caseload⁶. For the benefit cost, the OMBI report of 2011 said that the benefit cost could vary based on the caseload mix (single and family) and the types of benefits required. The Province mandates eligibility criteria and benefit amounts, resulting in generally an 80:20 Provincial: Municipal cost-share. Benefits provided by the municipality beyond this mandate are funded 100% by the Municipality⁷. And OMBI collected data about the government cost of Ontario Works in these 12 municipalities, from which it could be found out the government cost variation among them (see chart 1).

⁵ Ernie Lightman, Dean Herd, & Andrew Mitchell. (2006). Exploring the local implementation of ontario works. *Studies in Political Economy*, (78), 119.

⁶ District of Sault Ste. Marie Social Services Administration Board Ontario Works Funding Issues Summary

⁷ OMBI, 2011 Performance Measurement Report, October 23, 2012.

Chart 1. Monthly Government Cost (Provincial and Municipal) Of Ontario Works Per Case

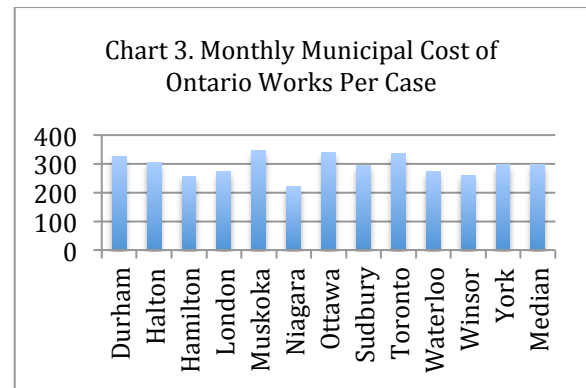
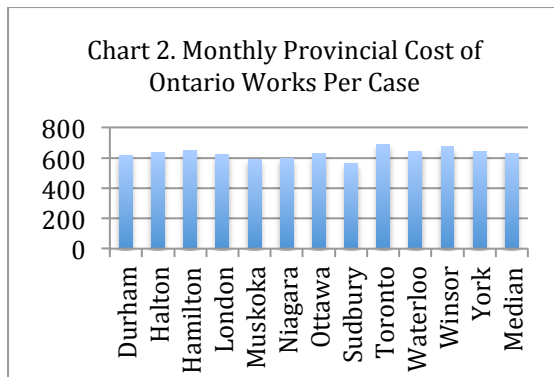


Data Resources: OMBI, 2011 Performance Measurement Report, October 23, 2012

From Chart 1, it could be figured out that, no matter the administrative cost or benefit cost, the variation among different municipalities is small. In these 12 municipalities, the government cost of City of Toronto is the highest and it is about \$1026 per case per month, and the region of Niagara is the lowest, which is \$818. The gap between highest and lowest is \$208, which is only 22.4% of the median. The standard deviation is 50. Therefore, in different regions, no matter whether big cities like Toronto and Ottawa, or the municipalities with comparative smaller populations, the provincial government invests similar amount of resources in providing Ontario Works in different places.

Chart 2 and Chart 3 present the comparison of the regional variation of municipality cost and province cost in Ontario Works. First, Chart 2 showed the provincial share of Ontario Works cost, and among these 12 municipalities, Toronto get the highest provincial government financial support per case, and it is \$691/month, and the lowest level is in Sudbury, which is \$563/month. The gap between highest and lowest is \$128 per case per month. And this paper took use of the ratio of the gap and the median of the data in 12 municipalities as the variation indicator of the government cost. For the provincial cost, the gap-median ratio is 20.3%. And Chart 3 is about the municipal cost of Ontario Works in different regions. The average municipal cost in Ottawa is the highest and local government spends \$338 per month per case. The municipal cost of the Region of Niagara is the lowest and it is \$219 per case. And the gap of highest level and lowest level for 12 municipalities is \$119, and the variation indicator is 39.8%.

Chart 2 & Chart 3. The Comparison of Provincial Cost and Municipal Cost of Ontario Works Per Case.



Data Resources: The indicator “Monthly Social Assistance Administration Operation Cost per Case” is from OMBI, and Yearly Total Cost on Social Assistance Administration per Case equals it times 12. The cap of provincial government in the administrative cost is \$700 per case per year, so the Monthly Cost of Municipality on Social Assistance Administration per Case=(Yearly Total Cost on Social Assistance Administration per Case-700)/12. The data of “Monthly Benefit Cost on Social Assistance per Case” is from OMBI, since municipal government cover 20% of all the benefit cost, the Yearly Benefit Cost of Municipality on Social Assistance per Case= Monthly Benefit Cost on Social Assistance per Case*20%. The Monthly Municipal Cost Per Case=Municipal Administration Cost + Municipal Benefit Cost. And the Monthly Provincial Cost Per Case= Monthly Social Assistance Administration Operation Cost per Case - The Monthly Municipal Cost Per Case

From this comparison, it can be seen that on the local level, the regional variation of municipal cost on Ontario Works is much higher than the variation on the provincial government level. On the one hand, it reflects that the financial burden of different municipalities is different. Because of the arbitrary funding cap of provincial government, municipalities bear most of the administration cost of social assistance system. It causes great financial burden to local government and severely limits the flexibility of municipalities in implementing the social assistance system. In many parts, the cost share of local government far exceeds 50%. Especially for some larger municipalities like Toronto and Ottawa, that serve more people and have higher turnover rate, the cost gap seems to be extremely low and create considerable local financial pressures. And they have to rely on the 100% municipal contributions to compensate for the lack of provincial funding in administrative costs. In this case, the different investments of municipalities to cover their financial cap cause the higher variation of government cost in Ontario Works on the local level. On the other hand,

based on this fact, it could be assumed that provincial government tends to give similar resources to different regions while the flexibility of local government might cause more variations, at least the variation in government funding.

3.2 The Administrative Practices of Ontario Works in Different Municipalities

A recent review of welfare reform initiatives across Canada concluded that administrative practices have as important an effect on outcomes as any other component of reform⁸. And for Ontario Works, the regional variation of administrative practices of government could reflect the regional difference of the whole policy. From the policy management perspective, the provincial government designed the New Service Delivery Model for the implementation of Ontario Works. This new system has been in operation across the province since January 2002 and includes the following key features: the provincial wide database to collect the case information of Ontario Works clients; the two-step intake process to verify the information of applicants; streamlined case management to reduce staff time on case administration by reducing and/or automating manual processes to track client information and the mandatory Consolidated Verification Process for those already receiving assistance.

From the perspective of regional variation, the management system of Ontario Works in different regions is quite similar with each other because of the provincial-wide service delivery model. No matter which city the applicants live in, they need to apply

⁸ Human Resources Development Canada (2000, March). Reconnecting social assistance, recipients to the labour market: Lessons learned. Ottawa: Human Resources Development Canada, Evaluation and Data Development Branch, Strategic Policy. SPAH123E-03-00.

for the social assistance benefits through the two-step intake process. The “First Stage Preliminary Assessment” was conducted by the seven provincial wide Intake Screening Unit (ISU), and the second stage was a face-to-face verification interview implemented at the local Ontario Works office. This represents a dramatic shift in the way people must apply for assistance. In each municipality, it has the application directives to help people apply for Ontario Works. Through comparing the application guidance of these 12 municipalities, it could be figured out that all of them ask potential clients to apply through the seven Intake Screening Unit at first. And ISU has the rights to approve or deny the application. Then, the applicants whose application was approved by ISU would be referring to the Ontario Works office for the second step. The applicants will be asked to attend a meeting at a local office. A caseworker will verify the information and determine the eligibility of applicant. So the two-step intake application mechanism is a standard process and was implemented in all municipalities. Although many municipalities expressed their concerns about this universal management system and noted that the technology has not been able to collect or report all the kinds of information they really need, only the City of Ottawa developed three additional local systems to collect information. And in other cities, they did not have any additional local administrative mechanisms.

Besides, the provincial government also introduced the Consolidated Verification Process for people who have already received the assistance. The main purpose of this mechanism is to decrease the “fraud” in Ontario Works. And there are also some other mandatory requirements from provincial government in the implementation of Ontario Works such as the compulsory drug test. At the beginning of the policy, some municipalities were in period of opposition and reluctance because these mandates in

many ways ran counter to the local vision of welfare. For example, a major contention initially is the compulsive drug test, which raised problems for many delivery agents who hold the opinion that the mandatory drug test is a method to “scare” people away from social assistance system⁹. But the provincial government will impose financial punishments if municipalities refuse to take this system. And the paper found out that none of the 12 sample municipalities violates the rules of the provincial government. All the municipalities make use of New Service Delivery Model to provide Ontario Works services. And they fulfill all of the mandates of provincial government. This also reflects the similarity of the local management system of Ontario Works.

3.3 The Benefit Variation of Ontario Works

The benefit of Ontario Works has two envelopes: income assistance and employment support. And the paper would investigate the regional variation of Ontario Works in both fields.

The Variation of Income Assistance

As discussed above, there is a two-step intake process to apply for Ontario Works. The applicants need to provide personal information in both stages, and the Ontario Works service delivery system calculates the amount of income assistance automatically based on the information received.

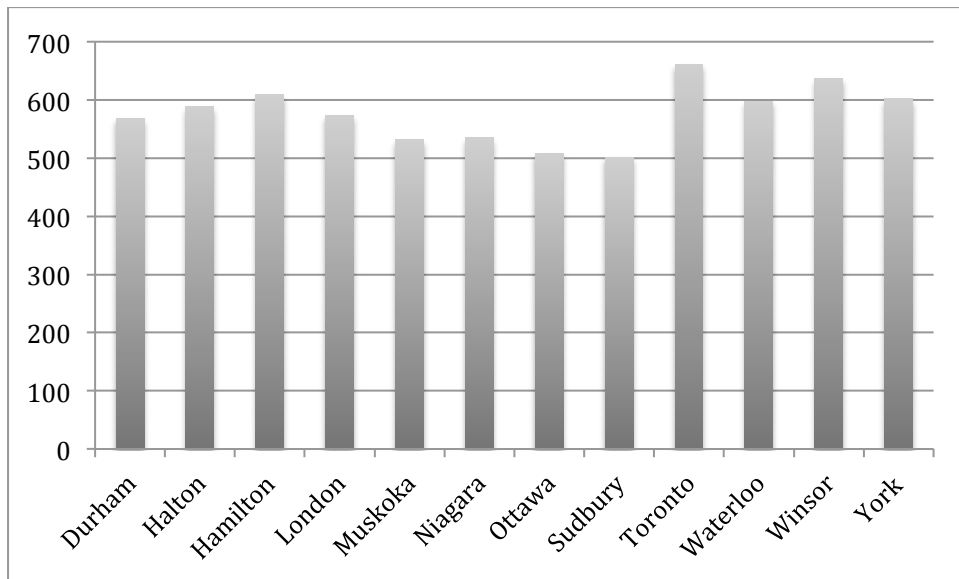
⁹ Ernie Lightman, Dean Herd, & Andrew Mitchell. (2006). Exploring the local implementation of ontario works. *Studies in Political Economy*, (78), 119.

Now, the provincial government takes use of Market Basket Measure to calculate the income support. The support “basket” includes food, clothing and footwear, transportation, shelter and other expenses. Among them, the amount of food support is calculated according to the cost of a National Nutritious Food Basket for a reference family in different regions. Clothing and footwear is based on the commercial price data of Statistics Canada. Transportation is the price of a monthly bus pass for an adult while the shelter part has two components: the median rent and utility costs of a two-bedroom unit, and the maintenance fee of the rental unit. For other expenses, it is based on a list of 47 daily necessary services and goods. The sum of these five parts is the maximum amount of money the Ontario Works recipients could get. Therefore, the calculation of income assistance is based on objective criteria. And in different regions, the calculation formula is the same. OMBI collected the average cost of government in income support per case of Ontario Works. And here the paper can use this indicator to represent the income assistance level in each place. Chart 1 is about the average government cost of the income assistance in different municipalities, which represents on average, how much money a single person could get. And from the chart, it could be figured out that the variation of income assistance in different municipalities is not huge. Toronto has the highest income support standard, which is \$661 per month for a single person. And the amount of income assistance in Sudbury is the lowest among 12 municipalities and it is \$502 per month. The gap between the highest and the lowest is \$159. The variation indicator (gap between highest and lowest/the median) of these 12 municipalities is 27.6%. So both the analysis of the calculation formula and the empirical study of the income assistance level show that the regional variation of the financial support level is small.

And in the report of Transforming Social Assistance in Ontario, it argued that the Market Basket Measurement (MBM) method is not a perfect measurement in the social assistance context. As a temporary program, social assistance is not designed to cover all expenses an individual or family may incur over the long term. The MBM looks at an ongoing standard of living, not a temporary one, and therefore represents a higher standard than social assistance can reasonably provide¹⁰. So the report suggested developing a new tool to calculate the financial support of Ontario Works recipients, which was called “Basic Measurement of Adequacy (BMA)”. Under this method, for the food, clothing and transportation part, the calculation formula of BMA is the same with MBM, but averaged for Ontario. And the shelter cost is based on 25th percentile of rent and utilities for two-and three-bedroom rental units in each region, but averaged for Ontario. The new income benefit calculation formula is no longer based on the price data of each region, but the average commodity price level of the whole province. So it is straightforward that if the provincial government took this new tool, the regional variation of income support level would further decrease. In the future, people in different regions would get the same amount of financial support under this new formula.

¹⁰ Commission for the Review of Social Assistance in Ontario, *Brighter Prospects: Transforming Social Assistance in Ontario*, 2012

Chart 4. The Average Government Cost of The Income Assistance in Different Municipalities



Data Resources: the amount of income assistance the clients could get depends on their living arrangement, the size of their family and if any family member has income. OMBI collected the average cost of income support per case in Ontario Works. And here the paper use this indicator to represent the income assistance level in each place. OMBI, 2011 Performance Measurement Report, October 23, 2012

Generally speaking, the provincial government hopes to establish an appropriate benefit structure that “reduces the barriers and support’s people’s transition into, and attachment with, the labor market”¹¹. Therefore, the income assistance of Ontario Works is intended to help eligible applicants for the food, housing, clothing and other necessary personal needs. And the philosophy of the provincial government in income assistance is to satisfy the recipients’ basic needs. So it designed the support “basket” as the benchmark to define the basic needs of social assistance recipients. In this scenario, the amount of income assistance in different places varies with each other just because the cost of living in different municipalities is various, not because the social assistance recipients in different places have different living standards. On the contrary, Canada is often described as an institutional welfare state characterized by

¹¹ Commission for the Review of Social Assistance in Ontario, *Brighter Prospects: Transforming Social Assistance in Ontario*, 2012

the value of equality and universality¹². Affected by this, on the income assistance issue, the provincial government hopes that the living standard of all social assistance recipients, no matter which municipality they live in, are similar. This is the most important reason why municipalities do not have flexibility in income support. If the intention of policy designer were to provide similar “adequacy” to all clients, both the benchmark and the formula to calculate the income assistance would be the same in different places. And the commercial price in each region could be obtained from the statistics data. In this case, it is unnecessary to give municipalities flexibility to determine their own income support system. On the contrary, if the local government were offered this freedom to determine the income support level in their jurisdiction, it would inevitably lead to the unfairness among different regions. In the big, rich municipalities like Toronto, the Ontario Works clients might get more money and have higher living standard compared with clients in other regions, which would violate the fairness principle of social assistance. Therefore, the provincial government designed the whole income support system and calculated the amount of income support automatically.

The Variation of Employment Services

As discussed above, another envelope of Ontario Works is the employment service. An important aspect of the 1990s social assistance reform was the introduction of the employment services in Ontario Works. The provincial government designed this system and has some mandates relating to what employment services should be

¹² Van Der Veen, Robert Jan, and Wouter Van Der Brug. 2013. Three worlds of social insurance: On the validity of esping-andersen's welfare regime dimensions. *British Journal of Political Science* 43 (2): 323.

provided by local Ontario Works offices. According to the Ontario Works Policy Directives of the Ministry of Community and Social Services, the Ontario Works benefits have two components: mandatory benefits and discretionary benefits. And mandatory benefits include full-time employment benefit (FTEB) and other employment and employment assistance activities benefits. The discretionary benefits part include vocational training, employment related expenses and child care assistance¹³. Furthermore, municipalities could also initiate other programs to satisfy the specific needs of clients in their own jurisdictions. The paper checked Ontario Works directives of all the 12 municipalities to find out what kinds of employment services each municipality offers. Chart 4 shows the regional variation of employment services. If the local Ontario Works office provide certain employment services, it was marked as “1” in the table, and if it was not, it was “0”.

From the matrix, it can be figured out that at first, all of the municipalities provide the provincial government’s mandatory benefits. In all 12 municipalities, the employment benefits of Ontario Works cover the expenses associated with beginning full-time employment and other employment activities. And these benefits are the mandatories of provincial government. And the provincial government would cover 80% of the costs of these benefits. If the municipality failed to fulfill these requirements, they would be financially punished. Secondly, for the discretionary benefits part, most municipalities provide at least one of the three discretionary benefits, and only City of Toronto provided all of the three components of the discretionary benefits. Besides, the municipalities could provide other employment program to satisfy the specific needs of the recipients, and in these 12 sample municipalities, City of Toronto has a

¹³ The Ministry of Community and Social Services, Ontario Works Policy Directives, January 2013

new employment service plan in the community of Regent Park. "Towards a Neighborhood of Choice and Connection", which was developed by Employment and Social Services. This plan outlines specific goals to improve employment and training services for local residents and employers, and for transforming how services are delivered in Regent Park. From the analysis, it can be concluded that the employment benefits of different municipalities consist of the provincial mandatory benefits and some discretionary benefits, and most of them provide nothing else except for these requirements. So the benefits structure in different regions are similar. The regional variation is small in this field.

Table 5. The Regional Variation of Employment Services

City	Mandatory Benefits		Discretionary Benefits			Other specific program
	Full-time Employment Benefit	Other Employment and Employment Activity Benefit	Vocational Training	Employment Related Expenses	Child Care Assistance	Other Specific Employment Program
Durham	1	1	0	0	1	0
Halton	1	1	0	0	0	0
Hamilton	1	1	0	0	1	0
London	1	1	0	1	1	0
Muskoka	1	1	0	0	0	0
Niagara	1	1	0	0	0	0
Ottawa	1	1	0	1	1	0
Sudbury	1	1	0	0	0	0
Toronto	1	1	1	1	1	1
Waterloo	1	1	0	0	0	0
Windsor	1	1	0	0	1	0
York	1	1	0	1	0	0

And this situation could be attributed to the funding model of the benefit cost in Ontario Works. For the mandatory benefits, the provincial government would cover

80% of the costs, and the provincial share of the discretionary benefits cost is lower. Provincial government would give some financial support to provide discretionary benefits but the ratio is less than 80%. Finally, the costs beyond the mandatory and discretionary benefits are 100% covered by municipalities. Since municipalities would get different funds when providing different employment services. In order to maximize the budget they get from provincial government, municipalities tend to provide employment services cost-shared by provinces. Therefore, the current funding model motivates municipalities to provide employment services that would be financially supported by senior government. So the employment services in different regions are similar with each other. Besides, the provincial government also allocates some short-term supplementary funds to local governments, and this kind of “incentive budget” could further encourage municipalities to act under the framework of provincial government, thus further limiting the regional variation of Ontario Works. For example, the provincial government hoped that social assistance recipients could participate in Community Placements (which are unpaid community services that provide participants with the experience to move into the paid labor force with improved skills and self-confidence). So they established the Ontario Works Placement Innovation Fund to support the development of new and innovative CP placements. With every placement exceeding the prior year’s target, the local service delivery agents could get an incentive payment of \$500. On this occasion, municipalities would focus on providing Community Placements in their employment support program. The empirical study of the paper also confirms this point. All of the 12 sample municipalities have the Community Placement program. Therefore, on the one hand, municipalities get different amounts of financial support for the different employment services, and on the other hand, the senior government has some

“incentive fund” to encourage them to provide certain kinds of benefits. These two factors work together to force municipalities to offer the mandatory and priority benefits of senior governments, which causes the similarity of employment services in different regions.

4. The Balance Between Universalism and Local Autonomy in Ontario Works

From the discussion above, it can be concluded that the regional variation of Ontario Works is limited and different municipalities provide similar Ontario Works services to the clients, but Ontario Works is still a provincial-municipal cooperative program rather than being solely provided by the provincial government itself. So there is a dilemma between the universalism characteristic of the policy and local autonomy. On the one hand, since Ontario Works is such a universal system across the province, why do not provincial government provide this system by itself like other provinces do? Why they still need to cooperate with municipalities to implement this policy? And on the other hand, if the provincial government thought that municipalities also play an important role in the implementation of social assistance system, why they did not give them more flexibility to satisfy the specific needs of clients in their own jurisdictions? If local government did not have much freedom in Ontario Works, what is the meaning of asking them to get involved in this process? The following part is trying to answer these questions.

4.1 The Context To Build the Social Assistance System

First, on the macro level, Canada could be categorized as an institutional welfare state. In Esping-Anderson's book "The Three Worlds of Welfare Capitalism", it defines three kinds of welfare states. Although this book was based on research about European countries, other welfare states, including Canada could also be analyzed under this framework. According to Esping-Anderson, the categorization of welfare states is based on three principles: public-private relationship, decommodification and marketization¹⁴. In Canada, generally speaking, the public sector is still playing the key role in providing social welfare services. Government designed the whole system as well as determined the policy details. They regulated what kinds of services should be provided to the clients and developed a whole system to deliver these services. So although the public sector contracted out some services to the for-profit or non-profit organizations, it is still the government that makes final decisions. So from the perspective of public-private relationships, the public sector dominates in the field of social welfare in Canada. Besides, as to the commercialization, according to the definition of Esping-Anderson, when a service existed as the result of civil rights or a person could make a living independent on market, the decommodification appeared. On this level, the social assistance system in Canada is a process of decommodification. It would provide low-income families with financial support and other welfare services to insure every citizen could live a decent life even they did not participate in market activities. Because of these characteristics, Canada represents the Social Democratic welfare state regime, in which all citizens are incorporated under one universal system.

¹⁴ Esping-Andersen, G. (1990). *The three worlds of welfare capitalism*. Cambridge, UK: Polity Press.

To some extent, the regional variation of social welfare policy depends on what kind of welfare state the country is. Based on this theory, Canada could be placed in a special welfare state model, “a universal citizenship-based model with a high level of generosity”. And this model is based on a high degree of universalism and equality. Another important characteristic of this model is to minimize dependence on families, with the government taking responsibility for the care of children, the seniors, and low-income groups. Therefore, this kind of welfare states is not only a “social insurance state”, but also a “social service” state. And there are some characteristics of universalism here. Suggested by Anttonen, benefits and services should be based in legislation, tax-funded, open to all citizens in need, no matter their place of residence---services should be equal in different places¹⁵. Therefore, in the traditional welfare country like Canada, although the egalitarianism of social welfare policy is considered weakening after the social welfare reform, justice and fairness is still a basic principle of government when designing the domestic social welfare system. And the regional variation was considered as a kind of “unfairness” in social welfare.

Research shows that flexibility of local government would lead to the regional variation in the social welfare services. As Gronlie and Kroger said, if the municipalities enjoy a great freedom to determine the scope and quality of their services, and at the individual level, to determine eligibility criteria as well as the amount and kind of help to be delivered, the regional variation would be inevitable¹⁶. Even though some empirical studies figured out that this kind of variation is structural rather than political, which means the differences only show people’s different needs

¹⁵ Anttonen, A. (2002), Universalism and social policy: a Nordic-feminist reevaluation, *NORA*, 10, 2: 71–80.

¹⁶ Gronlie, Kroger (1997), Local government in Scandinavia: autonomous or integrated into the welfare state? *The Key to the Scandinavia Welfare Model*. Aldershot, Avebury

in social welfare services rather than reflect people in different places enjoy different social welfare level, this variation was still considered as unfairness politically. So strong local autonomy can lead to large variations in the distribution of municipal services. And from the perspective of social assistance, the differences across local government would be great in terms of coverage, accessibility, costs and the social assistance level. The macro context determined that Canada, as a traditional welfare state, would regard equality and fairness as a basic principle to design the social assistance system. So the large regional variation was unacceptable under this background. This is why the provincial government does not give great freedom to municipalities in providing social assistance services.

4.2 The Philosophy of the Provincial Government in Ontario Works

On the micro-level, during the Progressive Conservative years in office (1995-2003), Ontario was in the forefront of work-based social assistance reform. And a basic principle of Ontario Works on provincial level is to build an employment-oriented social assistance system. When providing employment services, there are two competing approaches: Human Capital Development model (HCD) and the Labor Force Attachment (LFA). HCD model seeks to improve the long-term employability of welfare recipients through education and skills development and to help them find stable jobs, providing family-supporting wages. So the HCD model focuses on integrating employment services with the labor market and human resources development, which is a long-term program trying to help people solve their unemployment problems in the long run. In stark contrast, the LFA or “work-first” model favors individual explanations of poverty and unemployment that stress deficient education or work experience, and/or moral failings such as poor work

habits. Structural variables such as labor demand and the nature of employment opportunities are downplayed¹⁷. So under the LFA model, government would try to initiate a program that could build a “shortest route to employment”. The basic principle of this model is to encourage the clients to come to work as soon as possible, no matter what kind of jobs they could find.

The employment services of Ontario Works are based on the LFA model. The philosophy of the provincial government is to transfer the Ontario social assistance system from a negative financial support program to a positive employment-oriented one, and help them to get rid of welfare dependence. In the new system, all jobs are considered as “good job”. The Ontario Works recipients need to accept any positions they could get in order to build the “shortest route” between social assistance clients and employment. And this principle could also be reflected from the evaluation benchmark system of Ontario Works. In Ontario, OMBI reports are important for comparing the performance of different municipalities in providing services. And since OMBI was implemented in the public sector, the measurements OMBI use could tell a story about what aspects the government think are the most important to evaluate the performance of local government. In the social assistance part of OMBI report, it made use of five indicators to compare the social assistance performance of different municipalities, and three of them are measurements about how long people stay in the system and how fast they find a job. Besides, there are some empirical studies that can prove this point as well. As the research of Dean, Andrew and Ernie showed, one of the main purposes of the 1990s social assistance reform is to decrease the number of recipients through design. In order to achieve this goal, for one thing,

¹⁷ Peck, J. and Theodore, N. (2000) “‘Work first’: workfare and the regulation of contingent labour markets” *Cambridge Journal of Economics* 24: 119-138.

the policy has some strict eligibility requirements to “scare” people away from the system. And in addition, it made use of LFA model in employment services to minimize recipients’ time to stay in the program¹⁸. Therefore, from the perspective of the provincial government, a basic principle behind the employment services of Ontario Works is to help people find job as quickly as possible.

However, sometimes, the “work-first” philosophy of Ontario Works is in conflict with the municipality’s understanding of social assistance. Before the introduction of Ontario Works, some municipalities like Toronto had already provided employment services to the clients. And the employment services in City of Toronto before Ontario Works were integrated with other aspects like education, economic development and labor market. Even until now, in some government reports of City of Toronto, they still appeal to build an employment support system that could have a closer relationship with the bigger labor context rather than just help clients to find a job. In this scenario, it could be concluded that different municipalities have different focuses in employment services. So if local government had more autonomy in Ontario Works, the regional variation of employment services would be greater. Some municipalities would take HCD model to invest in human resources while some are more interested in the LFA model. However, the philosophy of provincial government is to build an employment-oriented social assistance system to help the clients find a shortest route to work. In this situation, the employment program based on HCD model violates the basic principle of provincial government in this field. So the provincial government would not allow local governments the freedom to determine which employment services model they use. Therefore, the work-first philosophy of

¹⁸ Dean Herd. "Cutting Caseloads by Design: The Impact of the New Service Delivery Model for Ontario Works." *Canadian Review of Social Policy*.51 (2003): 114. Print.

provincial government is also an important reason why regional autonomy in Ontario Works is limited.

4.3 Fiscal Retrenchment and Decentralization Process of Social Assistance

As discussed above, since the election of Mike Harris Conservative government, Ontario has experienced a turbulent provincial-local relationship. The Mike Harris government made radical changes affecting municipalities and their relationship with senior governments. And these changes are reflected in two aspects: the fiscal retrenchment of provincial government and the “who does what” model of delivering social services. Ontario Works reform is under this background. And this is the reason why provincial government does not provide Ontario Works by itself like some other provinces do.

First, in 1990s, a fiscal crisis and a change in the design of intergovernmental transfers all contributed to demands on provincial governments that they make difficult choices about which spending programs they would expand and which they would contract. To some extent, there is a positive relationship between the cost-share of different levels of government and its power in social policy. For example, before the social assistance reform, the federal government covered 50% of the cost in social assistance. So the federal government had some requirements relating to the social assistance system in all provinces. Federal transfer funds were on the condition that all provinces should provide social assistance to all people who are “in need” without any attached strings. And after the financial retrenchment of federal government in social assistance, CAP was replaced by the Canada Health and Social Transfer

(CHST). At the same time, the federal government removed all the standards associated with the provincial social assistance system and the only requirement for this transfer was a prohibition on provincial residency requirements. From this fact, it would be figured out that when federal government shared the cost of social assistance, it would have some specific requirements on the policy implementation. And when the federal dollars decrease, its control on the system would decline at the same time. This theory could also be used to explain the provincial-municipal relationship in Ontario Works. The introduction of Ontario Works was under the context of provincial financial crisis and fiscal retrenchment. According to what has discussed above, if the provincial government implemented a universal and provincial-wide social assistance system, it has to fund most of the program costs. But under the background of fiscal retrenchment, the provincial government hoped that municipalities could undertake part costs of Ontario Works. In this case, it has to give some flexibility to the local government. And this is a reason why provincial government does not build a universal social assistance system by itself.

Besides, another reason for the municipal involvement is the decentralization trend in public sector when conducting the social assistance reform. After Mike Harris government came into power, it developed the “Who Does What” model (WDW). And the provincial government hoped that it could reduce duplication and overlap in service delivery through further clarifying the responsibilities of different levels of governments. Therefore, the provincial-municipal relationship in Ontario Works was determined by the provincial government’s understanding of the “Who Does What” in social assistance. Affected by the New Public Management theory, local government was considered as more efficient to provide social services. At that time, the

Conservative argued that service delivery was governed too much by the provincial government, and reducing this control would result in cost-saving. This idea was based on the theory that overlap and duplication within government was bad and the government would be more efficient through eliminating this kind of “waste”. In social assistance, Ontario Works is an employment-oriented program and government not only needs to provide financial support but also offer employment services to clients. Therefore, Ontario Works is also a service delivery issue. And decentralization was considered as an important way to increase efficiency in providing public services. On the municipal level, local government has some traditional employment programs towards young people, new immigrants and unemployment groups. So in order to decrease the duplication and eliminate the “waste”, it is clear that the province hoped to integrate the employment services of Ontario Works with the pre-existing community employment programs, which is a reason why the provincial government implemented financial support program by itself while relying on local government for the employment services.

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Appendix:

Chart 1.

Municipality	Monthly Social Assistance Administration Operating Cost per Case			Yearly Total Cost on Social Assistance Administration per Case		
	2009	2010	2011	2009	2010	2011
Durham	262.56	227.46	242.28	3150.72	2729.52	2907.36
Halton	239.37	250.56	220.21	2872.44	3006.72	2642.52
Hamilton	176.27	171.3	167.52	2115.24	2055.6	2010.24
London	171	181.02	189.88	2052	2172.24	2278.56
Muskoka	264.62	261.77	273.18	3175.44	3141.24	3278.16
Niagara	150.84	151.64	142.85	1810.08	1819.68	1714.2
Ottawa	246.95	251.26	253.69	2963.4	3015.12	3044.28
Sudbury	244.2	219.63	226.25	2930.4	2635.56	2715
Toronto	222.66	244.89	234.48	2671.92	2938.68	2813.76
Waterloo	205.22	202.59	184.89	2462.64	2431.08	2218.68
Windsor	135.45	160.23	165.94	1625.4	1922.76	1991.28
York	227.75	212.74	207.77	2733	2552.88	2493.24
Median	225.21	216.19	213.99	2702.52	2594.28	2567.88

The indicator “Monthly Social Assistance Administration Operation Cost per Case” is from OMBI, and Yearly Total Cost on Social Assistance Administration per Case equals it times 12.

Chart 2.

Municipality	Yearly Cost of Municipality on Social Assistance Administration per Case			The Cost-Share Ratio of Municipality on Social Assistance Administration		
	2009	2010	2011	2009	2010	2011
Durham	1750.72	1329.52	1507.36	0.78	0.74	0.76
Halton	1472.44	1606.72	1242.52	0.76	0.77	0.74
Hamilton	715.24	655.6	610.24	0.67	0.66	0.65
London	652	772.24	878.56	0.66	0.68	0.69
Muskoka	1775.44	1741.24	1878.16	0.78	0.78	0.79
Niagara	410.08	419.68	314.2	0.61	0.62	0.59
Ottawa	1563.4	1615.12	1644.28	0.76	0.77	0.77
Sudbury	1530.4	1235.56	1315	0.76	0.73	0.74
Toronto	1271.92	1538.68	1413.76	0.74	0.76	0.75
Waterloo	1062.64	1031.08	818.68	0.72	0.71	0.68
Windsor	225.4	522.76	591.28	0.57	0.64	0.65
York	1333	1152.88	1093.24	0.74	0.73	0.72
Median	1302.52	1194.28	1167.88	0.74	0.73	0.73

The cap of provincial government in the administrative cost is \$700 per case per year, so the Yearly Cost of Municipality on Social Assistance Administration per Case=Yearly Total Cost on Social Assistance Administration per Case-700. And The Cost-share Ratio of Municipality on Social Assistance Administration=(Yearly Total Cost on Social Assistance Administration per Case-700)/ Yearly Total Cost on Social Assistance Administration per Case.

Chart 3.

Municipality	Monthly Benefit Cost on Social Assistance per Case			Yearly Benefit Cost of Municipality on Social Assistance per Case		
	2009	2010	2011	2009	2010	2011
Durham	701.81	683.81	699.33	1684.344	1641.144	1678.392
Halton	715.15	723.77	718.09	1716.36	1737.048	1723.416
Hamilton	756.18	759.86	739.3	1814.832	1823.664	1774.32
London	693.52	706.88	703.41	1664.448	1696.512	1688.184
Muskoka	623.72	652.29	662.78	1496.928	1565.496	1590.672
Niagara	665.19	701.72	675.17	1596.456	1684.128	1620.408
Ottawa	709.59	718.14	712.16	1703.016	1723.536	1709.184
Sudbury	599.8	620.66	630.46	1439.52	1489.584	1513.104
Toronto	796.56	794.08	791.39	1911.744	1905.792	1899.336
Waterloo	734.29	731.34	728.57	1762.296	1755.216	1748.568
Winsor	741.03	763.84	767.34	1778.472	1833.216	1841.616
York	727.83	730.59	732.69	1746.792	1753.416	1758.456
Median	712.37	720.96	715.13	1709.688	1730.304	1716.312

The data of “Monthly Benefit Cost on Social Assistance per Case” is from OMBI, since municipal government cover 20% of all the benefit cost, the Yearly Benefit Cost of Municipality on Social Assistance per Case= Monthly Benefit Cost on Social Assistance per Case*20%*12.

Chart 4.

Municipality	Yearly Cost of Municipality on Social Assistance per Case			The Cost Ratio of Municipality on Social Assistance		
	2009	2010	2011	2009	2010	2011
Durham	4135.064	3707.912	3885.752	0.36	0.34	0.34
Halton	3888.8	4030.136	3665.936	0.34	0.34	0.33
Hamilton	3230.072	3129.92	3084.56	0.29	0.28	0.28
London	3016.448	3160.424	3266.744	0.29	0.30	0.30
Muskoka	3972.368	4031.912	4168.832	0.37	0.37	0.37
Niagara	2706.536	2740.088	2634.608	0.28	0.27	0.27
Ottawa	3966.416	4024.304	4053.464	0.35	0.35	0.35
Sudbury	3669.92	3448.664	3528.104	0.36	0.34	0.34
Toronto	3883.664	4138.016	4013.096	0.32	0.33	0.33
Waterloo	3524.936	3479.648	3267.248	0.31	0.31	0.30
Winsor	2703.872	3064.376	3132.896	0.26	0.28	0.28
York	3779.792	3611.336	3551.696	0.33	0.32	0.31
Median	3712.208	3610.592	3584.192	0.33	0.32	0.32

The Yearly Cost of Municipality on Social Assistance per Case=Yearly Cost of Municipality on Social Assistance Administration per Case+ Yearly Cost of Municipality on Social Assistance Benefit per Case. The cost Ratio of Municipality on Social Assistance= Yearly Cost of Municipality on Social Assistance per Case/Yearly Total Cost of Social Assistance per Case.

Chart 5.

Municipality	The Cost Ratio of Municipality on Social Assistance Before The Reform			The Cost Ratio of Municipality on Social Assistance After The Reform		
	2009	2010	2011	2009	2010	2011
Durham	0.36	0.34	0.34	0.21	0.19	0.19
Halton	0.34	0.34	0.33	0.19	0.20	0.17
Hamilton	0.29	0.28	0.28	0.13	0.12	0.12
London	0.29	0.30	0.30	0.13	0.14	0.15
Muskoka	0.37	0.37	0.37	0.23	0.22	0.24
Niagara	0.28	0.27	0.27	0.11	0.11	0.10
Ottawa	0.35	0.35	0.35	0.20	0.20	0.20
Sudbury	0.36	0.34	0.34	0.22	0.19	0.20
Toronto	0.32	0.33	0.33	0.16	0.18	0.17
Waterloo	0.31	0.31	0.30	0.16	0.15	0.13
Winsor	0.26	0.28	0.28	0.08	0.11	0.12
York	0.33	0.32	0.31	0.18	0.16	0.16
Median	0.33	0.32	0.32	0.18	0.17	0.17